



The APPRAISER

A PUBLICATION OF THE ARKANSAS APPRAISER LICENSING & CERTIFICATION BOARD

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June 2005

Opinion of Value

By Richard Stephens
Board Chairman

Thanks to all who attended the "Day With the Board" seminar and contributed to its success. I hope you left with ideas and "hands-on information" to make your practice better.

You can be sure the Board already is working on next year's seminar.

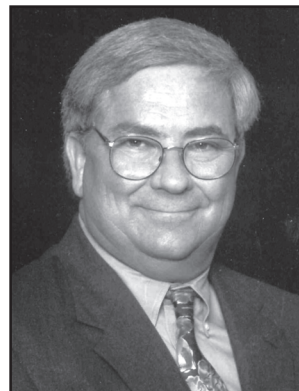
Speaking of information, I urge all of you to enroll in a USPAP class this year. There are changes in the 2005 document, and you are responsible for being aware of them. If you took a course in 2004, consider doing you and your practice a favor by taking another one this year. Remember that issues such as scope of work, intended use and user, reporting options, confidentiality, new assignment vs. update or read-dressing, and certifications apply to all of us, and both residential and general appraisers are responsible for being familiar with USPAP.

Residential appraisers! You will want to make sure you have attended a seminar on the sweeping revisions in the FNMA form. As you probably are aware, the new form will be required for use starting Oct.

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Tommy Mathieu



Dwight L. Brown



William C. "Bill" Neal

Board Welcomes 3 New Members

Three new members have joined the Arkansas Appraiser Licensing and Certification Board since the last newsletter. Here's a short profile of each:

Tommy Mathieu

Tommy Mathieu has turned the lemons life has handed him into lemonade.

Born 45 years ago in Delhi, La., Mathieu attended the University of Louisiana at Monroe and was a junior at LSU when his father died, forcing him to drop out of school to go to work in the oil fields.

About six years later, while working for his father-in-law as a "mud logger" (sending explosives down a newly drilled hole), Mathieu injured his back, putting an end to that career.

The hunt for a new line of work led him to Little Rock and Jack Walsh, who trained him to be a residential appraiser. Mathieu now owns a business in Little Rock bearing his name, has logged 13

years of experience as a residential appraiser in Central Arkansas, and is a former president of the Little Rock Chapter, National Association of Independent Fee Appraisers. His designations include IFA, ERC (Employee Relocation Council), and RAA (National Association of Realtors).

Gov. Mike Huckabee tapped Mathieu to succeed Tom Scott on the Board for a term that expires Jan. 15, 2008. Although he knows the service will be "a little time-consuming," Mathieu said he is "very honored to be chosen."

Like numerous Arkansans (and he said he is one of those now), Mathieu is a bass fisherman and a hunter, preferring ducks. A pilot, he confessed to being "fascinated by anything that flies," and this includes ducks!

Mathieu married a Louisianan, Tracie. He takes their sons, 14-year-old Thomas III and Wills, 8, on his hunting and fishing trips.

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"The Appraiser" is seeking timely articles or comments on practical appraisal subjects of interest to both residential and nonresidential appraisers from appraisers, lending institutions, and other mortgage lenders. The articles or letters should be sent to the Board's office at the above address.

Entered as second class matter:
United States Postal Service
Little Rock, Arkansas 72201

F.Y.I.

The 15-hour USPAP course may no longer be taken to satisfy the 7-hour National USPAP Update course continuing education requirement. As of last Jan. 1, students must take only the 7-hour USPAP Update course to demonstrate compliance with that requirement.

The 15-hour USPAP course may be taken for purposes of continuing education credit, of course, but it no longer counts toward meeting the 7-hour USPAP Update required every two years.



Richard Stephens of Little Rock, right, was elected 2005 chairman of the Arkansas Appraiser Licensing and Certification Board at its January meeting. He succeeds **Scott McKennon** of Morrilton, left, who was completing his three-year term on the Board. **Fred Rausch** of Fort Smith was chosen vice-chairman for 2005.

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Dwight L. Brown

When Dwight L. Brown realized in 1992 that none of his daughters was interested in growing rice and soybeans and raising cattle and catfish for a living as he did, he decided to rent some of his farm and branch out into a related but perhaps less risky business — appraising agricultural and recreational (hunting and fishing) land.

He had had enough appraisal work done for himself and was familiar enough with the then-new federal legislation regulating appraisers that he believed it would create a demand and a niche he could help fill. So he headed back to school to earn the required credentials.

Today the 52-year-old Brown is president of Delta Real Estate Services, Inc., and is licensed to practice in Louisiana and Mississippi as well as Arkansas.

He holds the certified general designation and is a candidate

member of the American Society of Farm Managers and Rural Appraisers.

Brown also is a new member of the Arkansas Board, having been appointed by the governor to succeed Scott McKennon for a term that expires Jan. 15, 2008.

Instead of putting out 120 percent of his energy daily as he did when he is farming, Brown says the figure is now only 105 percent!

When he isn't working, Brown is on the hunt for antique furniture pieces that he "fixes up a little" and then sells.

He and wife Beth have been married four years. They have five grown daughters and six grandchildren. Brown serves on the Administrative Board of the First United Methodist Church in his native Wynne, Cross County.

William C. "Bill" Neal

Bill Neal "can relate so much to rural Arkansas" even though he's

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31, and there are several requirements for its use as well as changes in the reporting format.

I attended a seminar last month that took participants through the form line-by-line. It was great; I wouldn't want to attempt to complete the new form without first having a comprehensive overview on it.

* * *

Here's a USPAP question taken from a communication by the Appraisal Standards Board that leads to another question of: what would you do?

As a condition of engagement, I have been asked to disclose the name of the client for any prior appraisals I have completed on the subject property. Is making this disclosure a violation of USPAP?

Response: "A definitive answer cannot be provided without examining the circumstances. The *Confidentiality* section of the **Ethics Rule** states, in part: An appraiser must protect the confidential nature of the appraiser-client relationship.

"There are some situations in which the appraiser cannot disclose the name of a previous client and still protect the confidential nature of the appraiser-client relationship:

"A client may tell the appraiser not to disclose the fact he or she appraised a particular property for that client. In this case, the name of the client becomes confidential information (as defined in USPAP), and it is clear that the supervisor cannot comply with the request for disclosure of the client's name.

"There are other cases that simply require judgment on the part of the appraiser to determine whether disclosing the previous client's name would or would not protect the confidential nature of the appraiser-client relationship.

"An appraiser who is asked to identify the client in a previous assignment may be able to protect the confidential nature of the appraiser-client relationship by identifying the client by type rather than name. Identifying the

Complaints Fewer; Board is Still Busy

By Mary Lou Brainerd

Staff Investigator

Seventeen new complaints were filed with the Board between Jan. 1 and May 15, which is fewer than were received during the same period last year. This is good.

Even so, we have been busy with five full board hearings scheduled involving seven complaints. Three of the hearings have been held and two are pending. We also have had numerous Probable Cause meetings and Non-Judicial Hearings (informal conferences), the two levels at which we always hope to resolve complaints. This is not always possible, however.

An appraiser trying to do too much work is the root cause I see for the type of work product that results in a formal complaint being filed. Just as there *is* such a thing as "having too much fun for your own good," there also *is* such a thing as being "too busy" to comply with the USPAP requirements and the Arkansas Rules and Regulations and procedures for licensing and certification.

The two most common excuses we hear for bad appraisal work are 1) stressful situations in an appraiser's personal life, and 2) workload is too heavy. While both

are understandable, neither is acceptable when it can impact the lives of others the way an appraisal can. Being too busy to do a job right is no more logical than being in too big a hurry to stop for a red light. You might get by with it for a time, but eventually you will get caught, perhaps before it causes serious harm to those depending on you to do it right!

Keeping an appraisal log to document work experience is required for appraisers in training. Many competent appraisers continue to log their work long after the requirement has been fulfilled because it is a valuable part of their record keeping process. Here are a couple of tips to help keeping a log manageable:

- ◆ You wouldn't think of measuring a house without paper on which to draw your sketch. Why not jot down the times to arrive and leave the property on that same piece of paper?
- ◆ When you go to the courthouse, you will have a list of the projects on which you are doing research. Again, why not make notes on that same page?

Both of these take only seconds to do and can save many minutes later on.

* * *

I urge each of you to take the time to make sure you educate yourself, stay current with your obligations regardless of whether they relate to USPAP, new reporting forms, or new technology.

Don't limit your professional growth to the number of classroom hours you are required to accumulate for re-certification because they represent a bare minimum approach to professional growth. Take advantage of a good class or seminar when you see it advertised, even if you have your education requirements completed. See you in class!

client by type describes the client with a generalization, e.g., financial institution or accountant. However, there may be circumstances in which disclosing the identity of the client by type actually would disclose the name of the client, e.g., property owner, trustee. In this case, naming "the client" by type would be inappropriate.

"If disclosure of the client's identity is the condition of a potential new assignment, and the appraiser cannot do this and still protect the confidential nature of the appraiser-client relationship, the appraiser must turn down the new assignment."

Questions & Answers

EDITOR'S NOTE: *The Appraisal Standards Board ((ASB)) does not establish new standards or interpret existing ones. The ASB issues these questions and answers to inform appraisers, regulators, and users of appraisal services of its responses to questions that have been raised; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice ((USPAP)) in specific situations; and to offer advice for the resolution of appraisal issues and problems.*

QUESTION: Does USPAP require real property appraisers to reconcile the comparable sales used in the sales comparison approach to value?

RESPONSE: Yes. Standards Rule 1-6 states:

In developing a real property appraisal, an appraisal must:

- (a) reconcile the quality and quantity of data available and analyzed **within the approaches used**; and
- (b) reconcile the applicability or suitability of the approaches used to arrive at the value conclusion(s).

Also, see the Comments to Standards Rule 2-2(a)(ix), 2-2(b) (ix), and 2-2(c)(ix) for corresponding reporting requirements. (Bold added for emphasis.)

QUESTION: What are the USPAP reporting requirements relating to the use of extraordinary assumptions and hypothetical conditions in an appraisal assignment?

RESPONSE: The report must disclose clearly the use of extraordinary assumptions and hypothetical conditions and notify intended users that the extraordinary assumptions and hypothetical conditions might have affected the assignment results.

Standards Rule 2-1 c states each

Renewal Notices Are in the Mail

Renewal notices have been mailed to all appraisers licensed and certified by the Arkansas board, reminding them that June 30 is the deadline to renew their licenses or certifications.

Renewal can be accomplished this year without the hassle of confirming or documenting continuing education hours. This comes next year—2006—when an appraiser is required to have 28 hours of continuing education, including the 7-hour USPAP Update course, in order to renew or recertify.

Licensees and certificate holders are reminded the notice sets forth procedures for accomplishing renewal the easy way — on-line, which is via the Internet.

The notice also contains information about the monthly penalty an appraiser faces if he or she fails to renew by June 30. Those who decide not to renew their licenses or certificates should advise the Board of this before June 30.

In recent weeks, the Board staff has received several calls about the process to be used to put a license on inactive status. This process is described on Page 25 of the Board's Rules and Regulations, and primarily requires that the applicant notify the Board on or before June 30 to request inactive status with attendant fees

EDUCATION OFFERINGS

Arkansas Chapter, Appraisal Institute - Contact Sara Stephens, (501) 372-7513. All classes held in Little Rock.

The Columbia Institute - Call 1-800-460-3147.

Delta Seminars - June 17-18, "Appraisal Mathematics & Statistics with the HP12C," 15 hrs. QE, Fayetteville; Contact Mickey Lee at (870) 731-8008 for other future course schedules.

Lifetime Learning - Contact Dennis McElroy at (417) 887-2221. All classes held in Springfield, Mo.

The Lincoln Graduate Center - Call 1-800-531-5333.

McKissock Appraisal School - Call 1-800-328-2008.

National Association of Independent Fee Appraisers - Call (312) 673-5914.

RCI Career Enhancements - June 27, 7 hr. USPAP Update; June 28, "Developing Scope of Work," 7 hrs. CE; July 26-27 at Hot Springs,

Methods of Appraising Timber and Timberland, 15 hrs. QE; Aug. 1-2, "USPAP," 15 hrs. QE; Aug. 30-31 at Hot Springs, "Appraising Timber & Timberland by the Income Approach," 15 hrs. QE. Contact David Reinhold at (479) 968-7752.

written or oral real property appraisal report must reveal all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions **used** in the assignment.

This is reinforced by Standards Rule 2-2 (a)(viii), which states that Self-Contained Appraisal Reports

must, at a minimum:

(viii) **clearly and conspicuously: state** all extraordinary assumptions and hypothetical conditions; and **state** that their use might have affected the assignment results. (**Bold** added for emphasis.)

New Site Proves Easier for Annual Seminar

"The Day With the Board" — the Board's annual seminar — returned to a one session format this year but switched to a new location — the Scimitar Shrine Temple in southwest Little Rock.

The new site provided ample parking space and a meeting room that easily accommodated the 332 appraisers who registered (and could have handled any overflow). In addition, there was space for a catered lunch and smaller rooms were available for the traditional break-out sessions based on property types that were held in the afternoon.

The theme of this year's seminar was "Changes to the Face of Edu-



DON MOLIVER accepts "Arkansas Traveler" certificate from Chairman Stephens.

cation," and the keynote speaker was Don Moliver of New Jersey, a member of the Appraisal Qualifications Board.

A practicing professional appraiser who also instructs undergraduate and graduate students in real estate at a local university, Moliver spoke about AQB's qualifying criteria that will be implemented Jan. 1, 2008. (See **Highlights** on this page)

Lead-off speaker Shelby Johnson, the State Geographic Systems Coordinator for the Department of Information Systems gave an update on the status of the

system and its potential to provide data to practicing appraisers.

Gary Isom, deputy director of the Arkansas Real Estate Commission, spoke about the design and delivery of on-line courses and seminars.

Much of Isom's talk dealt with the certification of on-line courses by the International Distance Learning Certification Center, a subsidiary of the Association of Real Estate Licensing Law Officials (ARELLO). His comments were timely because the Arkansas Board has adopted rules for the approval of qualifying education via the distance learning (virtual classroom) method.

Rick Walker from the Dallas office of Fannie Mae conducted a question and answer session on his agency's guidelines and forms. During the afternoon break-out for the residential property group, he discussed the new Fannie Mae forms that will be released in November and the agency's guidelines for appraising manufactured housing.



DAVID REINOLD fields USPAP questions at a break-out session.



RICK WALKER of Fannie Mae describes revised URAR forms.

As in previous year, former Board member David Reinold addressed specific USPAP issues at the break-out session as well as the deficiencies the Board has seen and practical appraisal issues that individuals were encountering.

Wayne Coats, Richard Gillespie, Richard Stephens, and Moderator Fred Rausch made up the Board panel that closed the seminar with a wide-ranging discussion about complaint processing and a general overview of Board operations.

Highlights

Here are the highlights of the Qualifying Education changes that the Board will be implementing Jan. 1, 2008, which Moliver discussed at the seminar:

Licensed Residential Real Property Appraiser:

- ◆ QE will increase to 150 hours, which is an increase of 60 hours.
- ◆ Qualifying experience will be 2,000 hours to be obtained in no fewer than 12 months.

Certified Residential Appraiser:

- ◆ QE increases to 200 hours, which is a hike of 80 hours.
- ◆ Also, a CR applicant must have a minimum of 21 hours of specified college course work or possess a two-year associate degree.

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Seminar, from Page 5

Certified General Appraiser:

- ◆ QE increases to 300 hours. This is an increase of 120 hours.
- ◆ Also, a CG must have a minimum of 30 hours of specified college work or a four-year bachelor's degree.

The AQB has established two scenarios by which regulatory boards may begin implementation on Jan. 1, 2008. One is a "firm date," which provides that as of Jan. 1, 2008, every component (Education, Experience, Examination) of the new criteria will be implemented. A second and more practical option is referred to as a "segmented" approach.

The Arkansas Board has adopted the "segmented" approach, and rules will be proposed soon to put the revisions in place as of Jan. 1, 2008. The segmented approach provides an opportunity for an individual who meets today's education requirement in the application process (for a particular classification) on or before Dec. 31, 2007, to move toward meeting the other components for licensing after that date without having to meet the increased educational demands.

In other words, if a potential applicant has completed 90 hours of QE for State License on or before Dec. 31, 2007, and has filed the appropriate documentation with the Arkansas Board, he or she may proceed to submit his or her final application once the required experience is in place and be examined after Jan. 1, 2008.

The new education criteria apply only to those appraisers seeking an upgrade (SL to CR, or CR to CG) or a registered appraiser applying for license on or after Jan. 1, 2008. State Registered or licensed appraisers who do not have any post secondary education should be mindful of the expanded requirements relating to the CR and CG categories after Jan. 1, 2008.

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The form and location of the statement is left to the discretion of the appraiser, but it must be clear and conspicuous to intended users and that it might have affected the assignment results. The appraiser is not required to report on the impact of the extraordinary assumptions and hypothetical conditions on assignment results.

QUESTION: I am appraising a property improved with an apartment complex, but have found that land is zoned for commercial use. My research indicates that such commercial land would have a value different from that of apartment land, but still far less than the current total value of the apartment complex. According to USPAP, how should I value the land?

RESPONSE: USPAP does not dictate the use of any particular theory or technique. You may apply any method, as long as it is recognized, applicable, and correctly used. SR 1-1(a) only requires the appraiser *correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.*

QUESTION: USPAP requires reports to identify the type and definition of value and cite the source of the definition. What is the "type of value?" Why is this no longer referred to as the "purpose" of the assignment? What sources can be used to comply with the requirement to cite the source of the definition of value?

RESPONSE: Previously, the term "purpose" in USPAP was used to refer to several different concepts, including the type and definition of value. For the 2005 edition of USPAP, this and other special meanings of this term were eliminated to increase clarity. Where it is used now, "purpose" only conveys the standard dictionary meaning of the word.

The "type of value" is the general

class or category of value. Examples include market value or fair value.

The "definition of value" provides a specific description of the characteristics and conditions of the type of value. Examples include definitions provided on a form report, in FIRREA, in the U.S. accounting regulations, and U.S. tax regulations.

USPAP does not provide any specific definition of value or endorse any particular source. Sources could include, for example, a regulatory agency, a legal jurisdiction, an engagement letter, or a textbook.

QUESTION: Currently I am working in an appraisal firm as a trainee. As part of my training, I

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STATUS REPORT

As of May 18, 2005, Board records showed these totals for appraisers:

State Certified General . . .	483
State Certified Residential . . .	337
State Licensed	138
State Registered	369

(Includes temporary and nonresident appraisers)

NEXT LICENSING, CERTIFICATION EXAM

October 1, 2005

DEADLINE TO APPLY: Aug. 5, 2005

Potential applicants should contact the Board's staff for current information about the application process, exam schedules, fees, and other licensing matters by calling (501) 296-1843, or use the website at www.state.ar.us/alcb/ or write to the Appraiser Licensing and Certification Board, 101 E. Capitol Ave., Suite 430, Little Rock, AR 72201.

Members, from Page 2

now a bank vice president working in the state's biggest city, Little Rock, because he was born and reared a "small town boy" in Grenada, Miss., where his father was in the service station business..

Neal, born Sept. 11, 1947, was appointed by the governor to the Arkansas Board to replace Richard Gillespie for a term that expires Jan. 15, 2008.

He has been a vice president at Regions Bank since 2002, but came to Arkansas in 1983 to work for the old Worthen Bank and Trust Co. Previously he had been with Union Planters Bank in Memphis, which he joined because traveling so much as a newly wed when he was an accountant for W.R. Grace & Co. quickly got a little old.

Neal received his accounting degree from Mississippi State University at Starkville in 1970.

He met his wife, Pam, of Jackson, Miss., while both were at MSU. They have four children: Clif, 30; Brad, 25; Mandy, 21, a University of Central Arkansas student; and Lauren, 16, a junior at Little Rock Central High.

Neal spent 17 years as a unit leader for the Boy Scouts until retiring recently but still remains on the organization's Council executive board. Besides Scouting, he's a fan of scuba diving and photography.

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contribute significant real property appraisal assistance in assignments performed by other appraisers in the firm, but I do not sign the appraisal report or the certification. I understand that my name must be stated in the certification. Must the certification include a description of my assistance?

RESPONSE: Not necessarily. In accordance with Standards Rule 2-2(a), (b), and c(vii), the extent

Board Shows Concern About Lacks In Supervision

Members of the Arkansas Appraiser Licensing and Certification Board have expressed growing concern about the lack of direct supervision being done by supervising appraisers of registered appraisers.

An instance has been recorded when even a non-resident state certified appraiser had an unregistered trainee performing on-site inspections of properties in Arkansas. The trainee then would develop the appraisal, transmit the work product to his supervisor for signature and file it with the client!

There also have been several cases in which trainees are located great distances in time and miles from their supervisors' principal business locations.

The Board urges practicing appraisers who have registered "appraisers in training" under their supervision to become familiar with the applicable rules and regulations the agency adopted in August 2004.

Under Arkansas law and those rules, registered appraisers are required to be supervised by a licensed or certified appraiser when the assignment is for a federally related transaction. The rules applicable to these conditions are on Page 27 of the regulations dated August 2004.

These require that a "supervising appraiser shall at all times be responsible for the training and direct supervision of the trainee and do this:

* Personally inspect, with the trainee/State Registered appraiser, each subject property and compa-

of the assistance must be described, summarized, or stated (depending on the reporting option used) within the report. *This required disclosure could be included within the certification, but it also could be included in some other section of the report.*

table sales until the supervisor determines the appraiser is competent to perform such appraisals;

- ◆ Shall accept responsibility for the appraisal report by signing and certifying that it is in compliance with the Uniform Standards and Professional Appraisal Practice (USPAP);
- ◆ Shall review the trainee's appraisal reports and sign on the appraisal log maintained by the trainee. A trainee shall maintain a log for each supervising appraiser;
- ◆ Shall have been certified or licensed by the Board for at least a year before assuming supervision of a trainee and must be competent to perform the property type of appraisals being supervised.
- ◆ Shall be limited to supervising no more than three (3) registered "appraisers-in-training" at any one time.
- ◆ A certified or licensed appraiser who is otherwise qualified for supervising trainees who has been disciplined by the Board could be subject to one or more of the following according to the nature and severity of the violation:
 - a) Prohibited from supervising a trainee;
 - b) A restriction placed on the number of trainees that he/she may supervise; and/or
 - c) Be required to take additional courses approved by the Board before being permitted to supervise a trainee.

Board members have decided they are going to be more diligent in asking questions about the quality of supervision being provided registered trainees on federally related transactions. Consequently, more emphasis will be placed on the trainee/supervisor relationship.

At the same time, the Board is inviting comments about the issue of direct supervision.

ARKANSAS



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3 New State Laws Are Seen Affecting Appraisers

The 85th Arkansas General Assembly formally adjourned May 13, having considered a record 3,176 bills plus 146 resolutions and enacting a record 2,325 of them to establish, amend or repeal state laws or appropriate and distribute funds to be spent by state government.

Three of the laws that go into effect Aug. 13 will have a direct impact on Arkansas' appraiser community.

Act 922, sponsored as HB 1652 by Rep. Thompson, amends the appraiser licensing law to provide an exception from registering and licensing of those real estate lic-

ensees who give testimony regarding an opinion of value on real property for purposes of estate settlement.

HB 1333 by Rep. Jeffrey, which became Act 278, amended the Appraiser Licensing Statutes (A.C.A. 17-14-206) to create a statute of limitations on appraiser investigations. The Board now is prohibited from investigating complaints that are filed more than three years after the date of the action that produced the complaint.

HB 2623, which became Act 2218 and is entitled the "Government Efficiency and Accountability

Act," calls for a Review Subcommittee of the Legislative Council to evaluate the functions and effectiveness of state boards and commission and to recommend their continuation, reorganization or demise by the 2007 session. The Appraiser Licensing and Certification Board, established in 1991 as a result of federal legislation, is one of those named in the new law to be reviewed by the subcommittee.

This is one of Arkansas' periodic attempts to eliminate as many state boards and commissions as possible. The last effort saw only one commission go out of existence.